

Let's Work TOGETHER

Supporting students and schools to conquer financial aid barriers, loan anxiety, financial education, delinquency and default.

How Are Students Really Managing Finances?

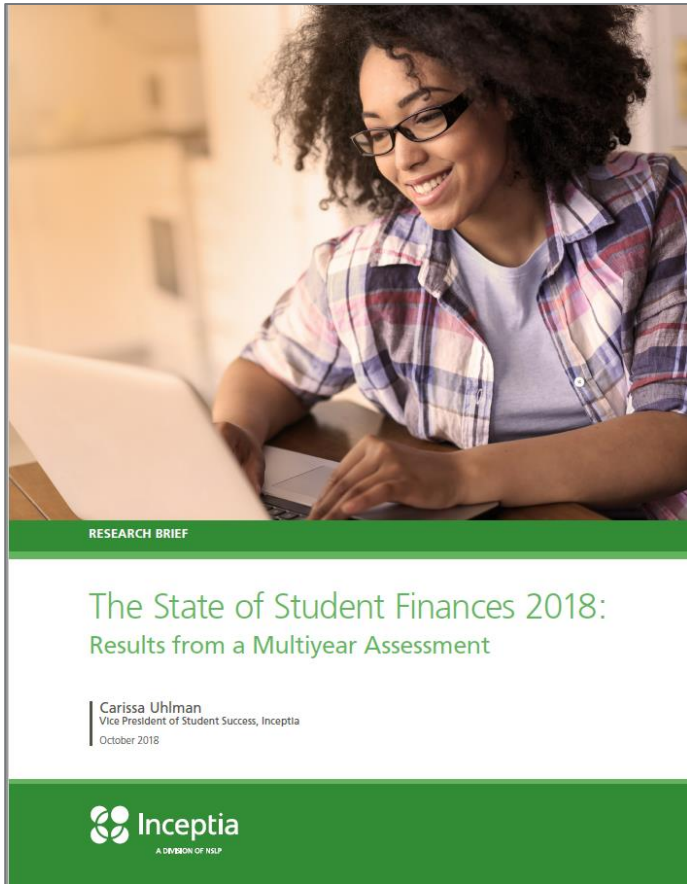
Results from a Multiyear Behavioral Assessment

Tami Gilbeaux

Assistant Vice President, Business Development

Agenda

- Methodology
- Goals, Budgeting & Spending
- Planning & Protecting
- Credit
- Banking On It
- Student Loans



bit.ly/InceptiaStudentFinance

Methodology

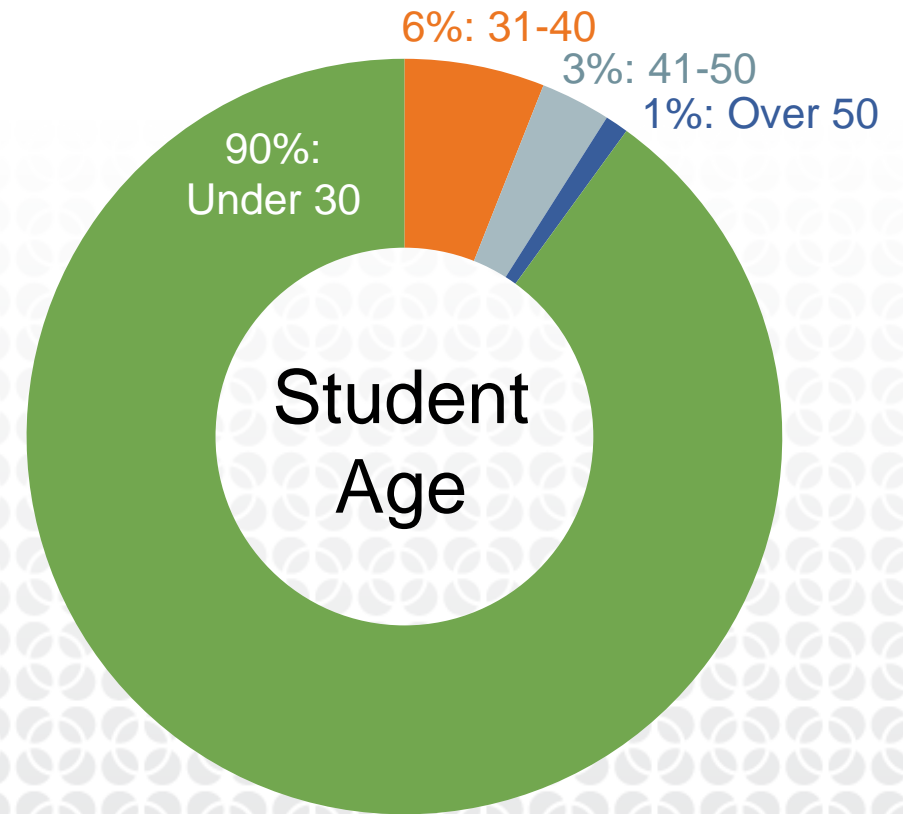
April 2016 to December 2017

60,000+ students

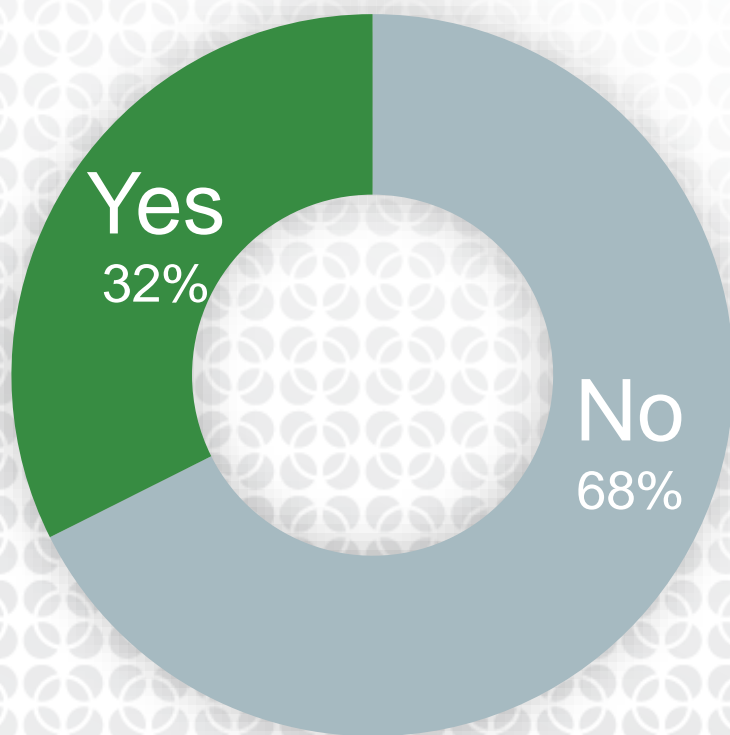
Representation from variety of schools

- 2 year and 4 year
- Public and private

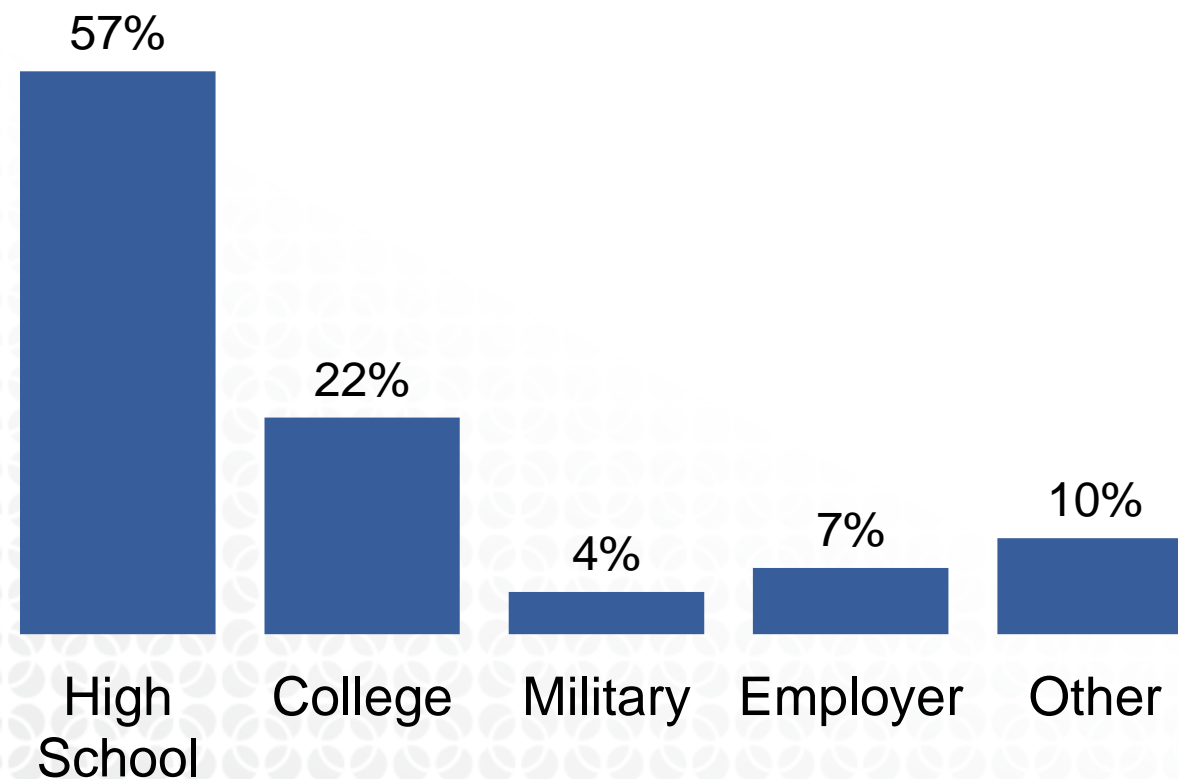
Voluntary participation



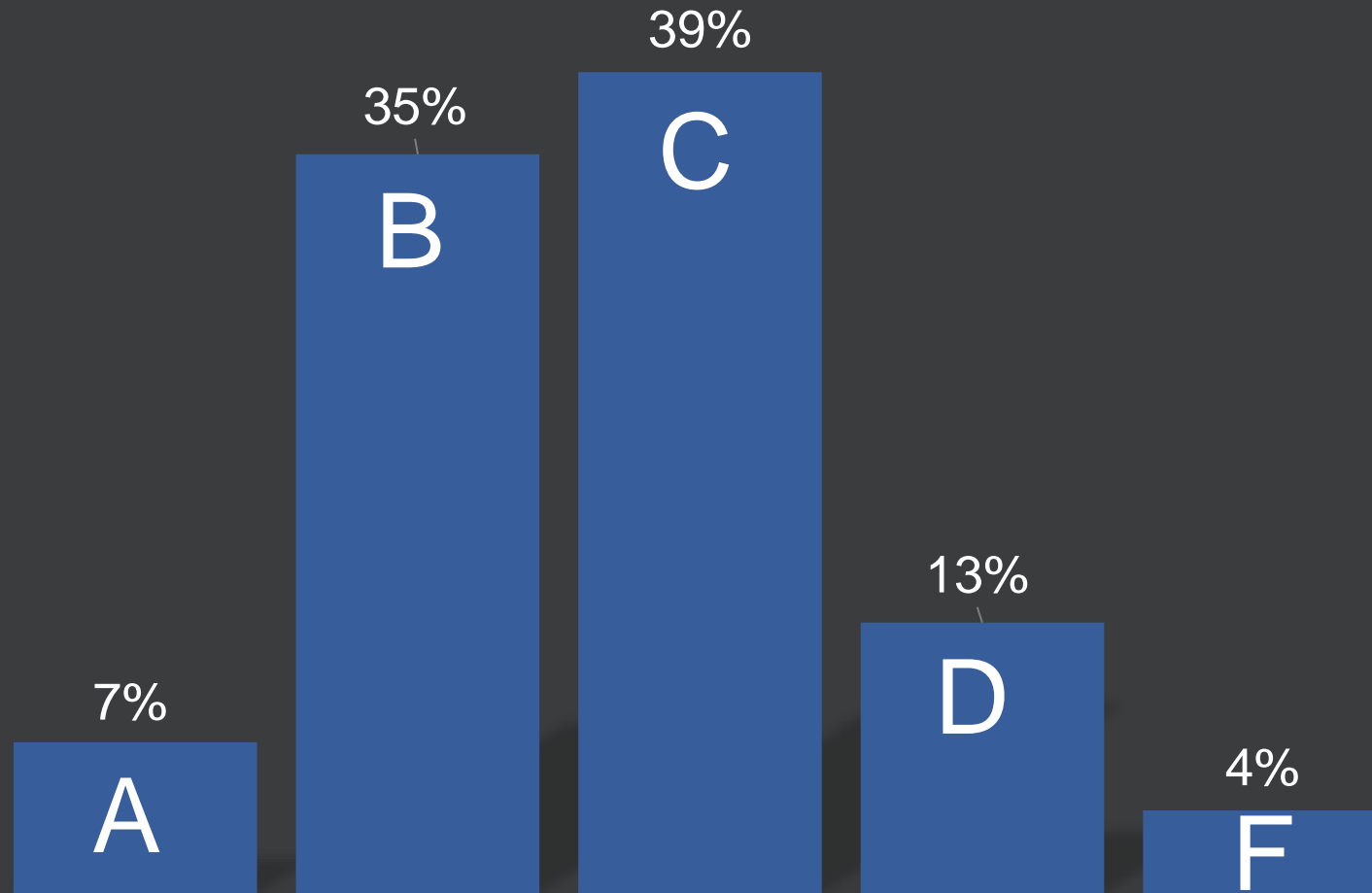
Have you ever taken a Personal Finance or Financial Education class or seminar?



If so, where have you taken a class or seminar?



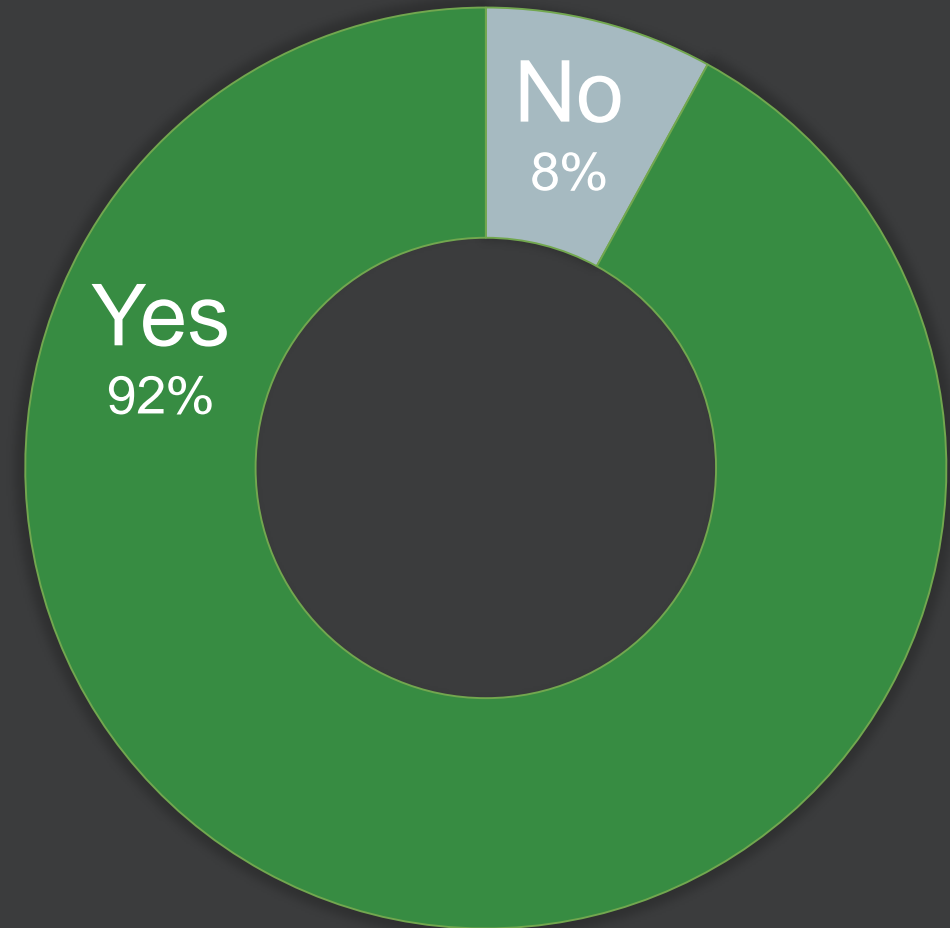
How would you grade your overall financial knowledge?



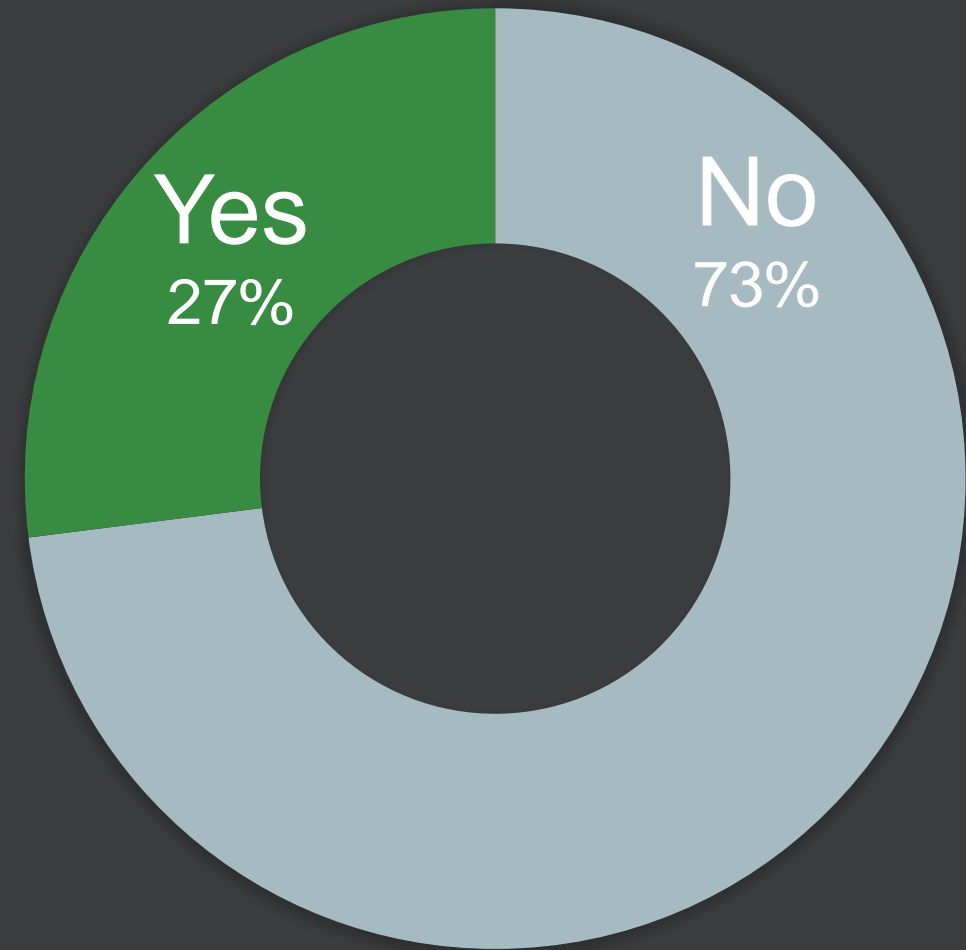
Goals, Budgeting & Spending



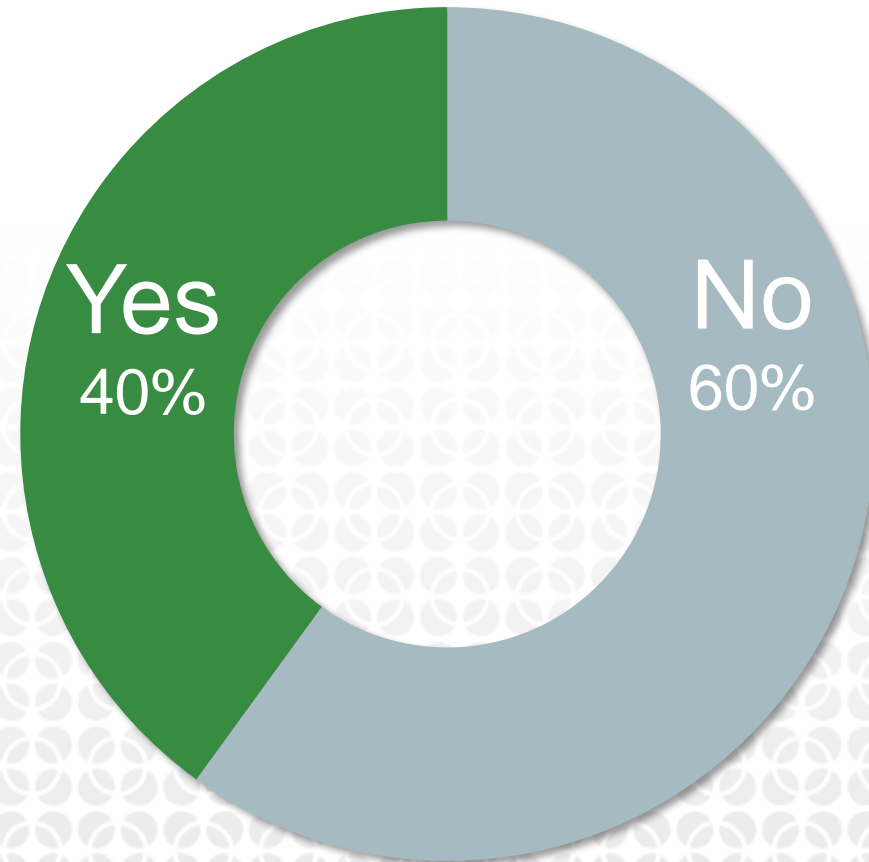
Do you have financial goals?



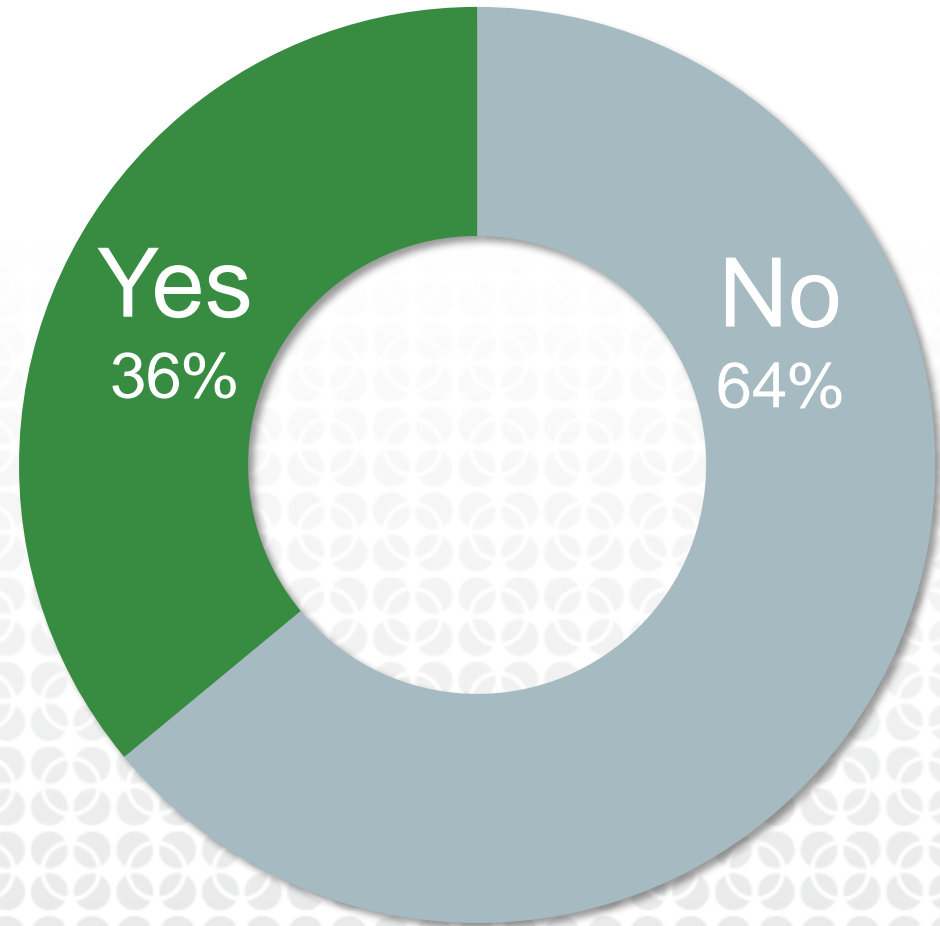
If yes, are those goals
written down?



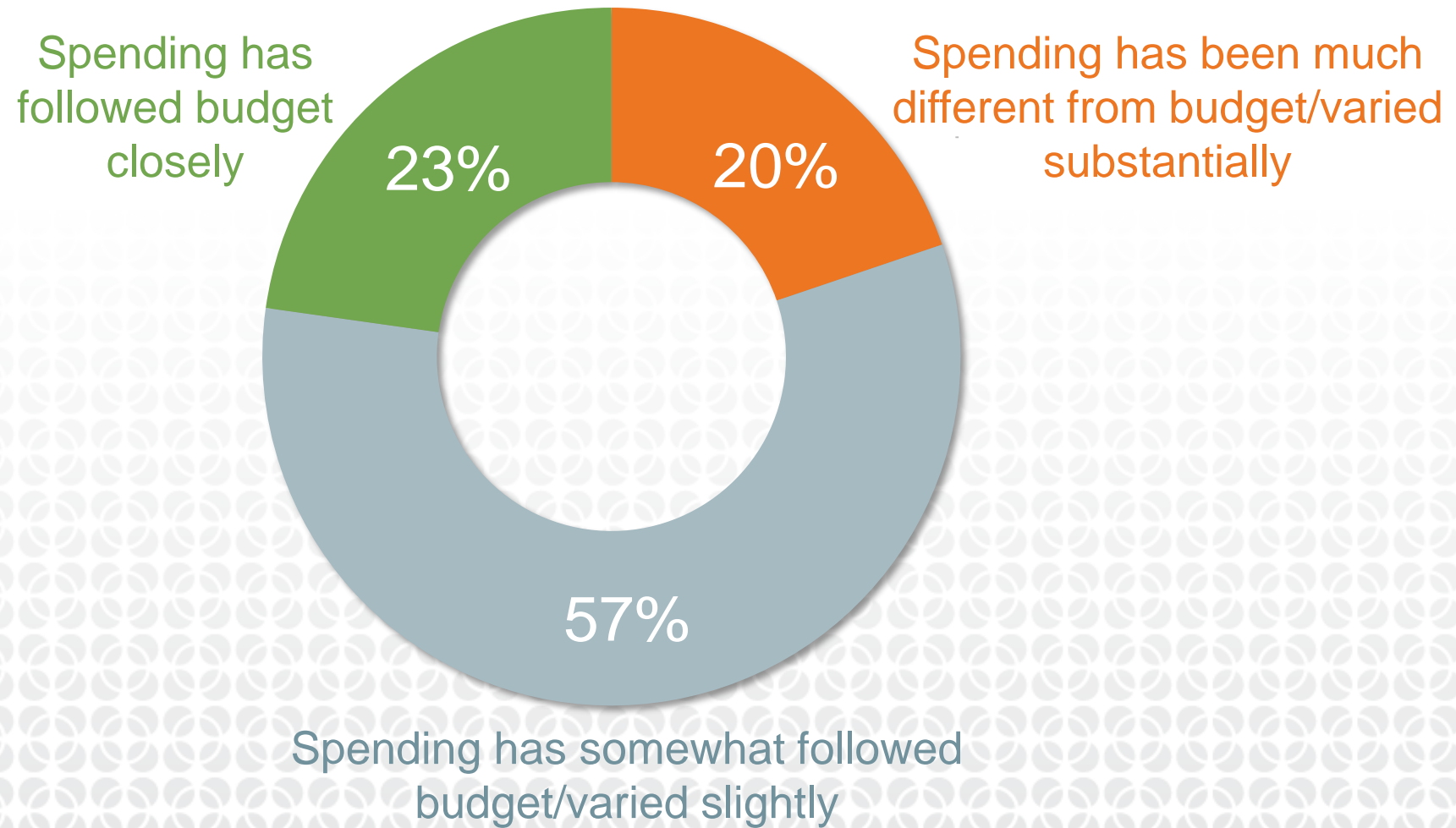
Did you create a
budget this year?



If you have a budget for this school year, is that budget written down or tracked electronically/online?

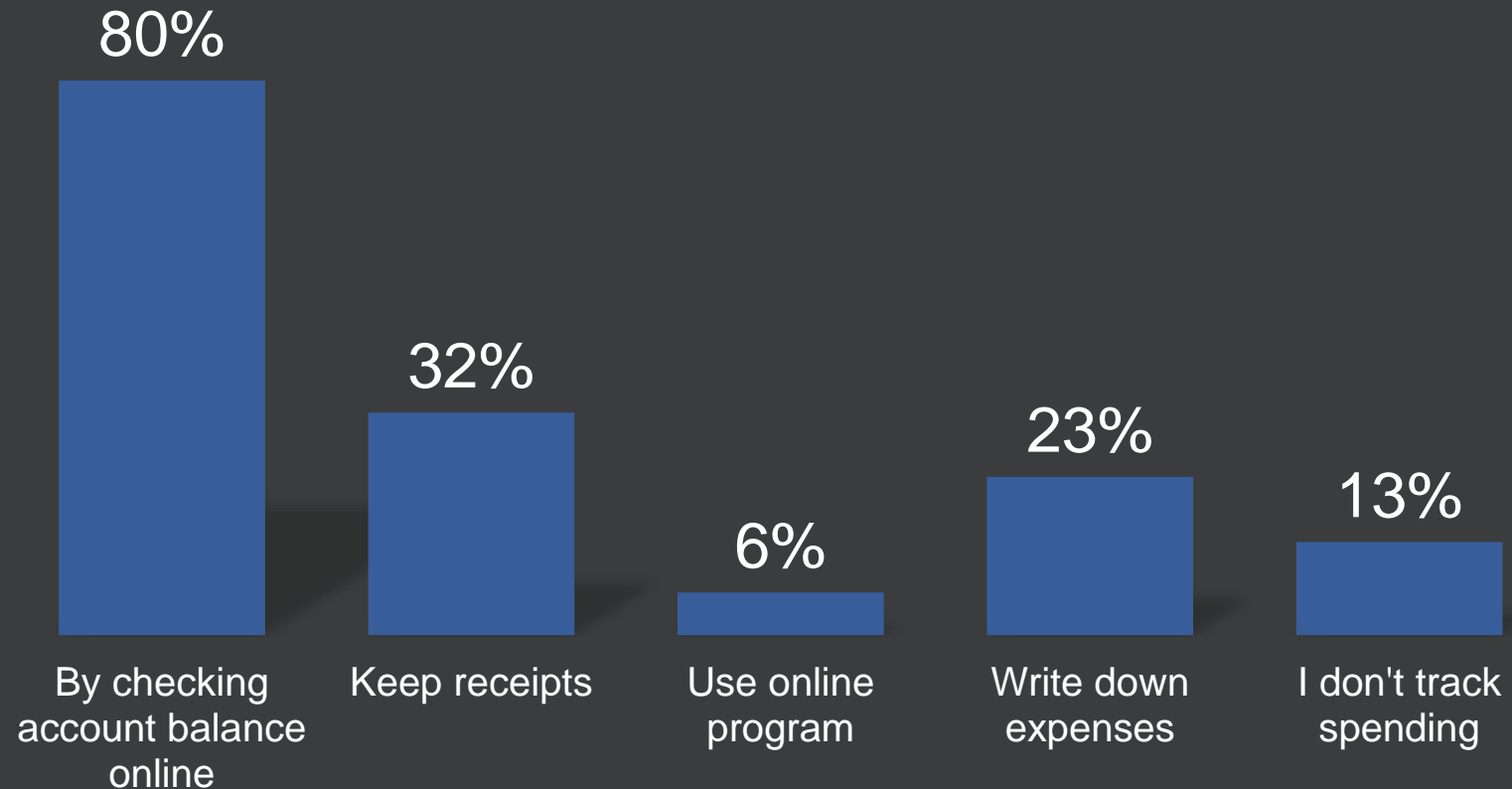


How closely have you been following your budget?

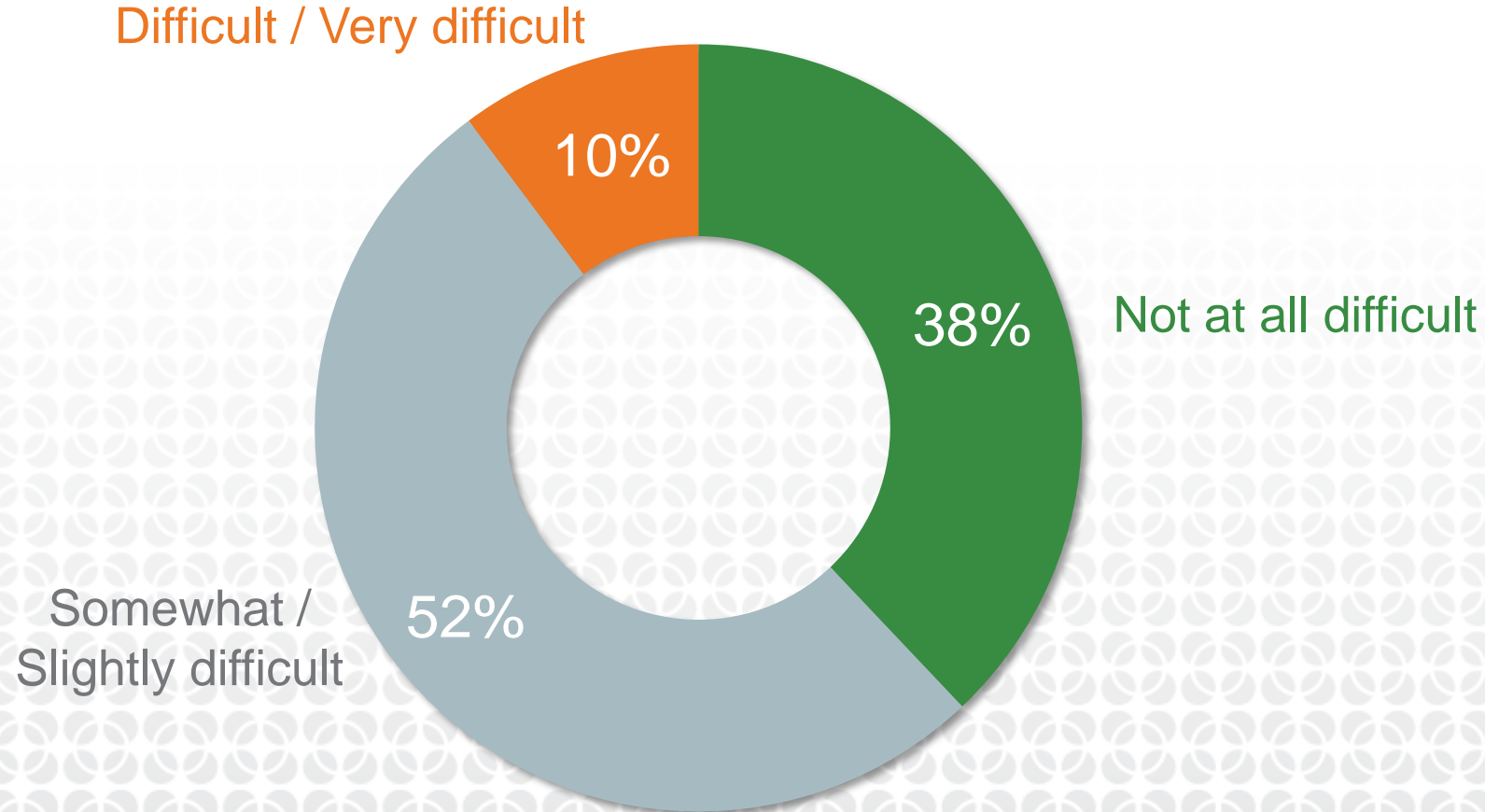


How do you track your spending?

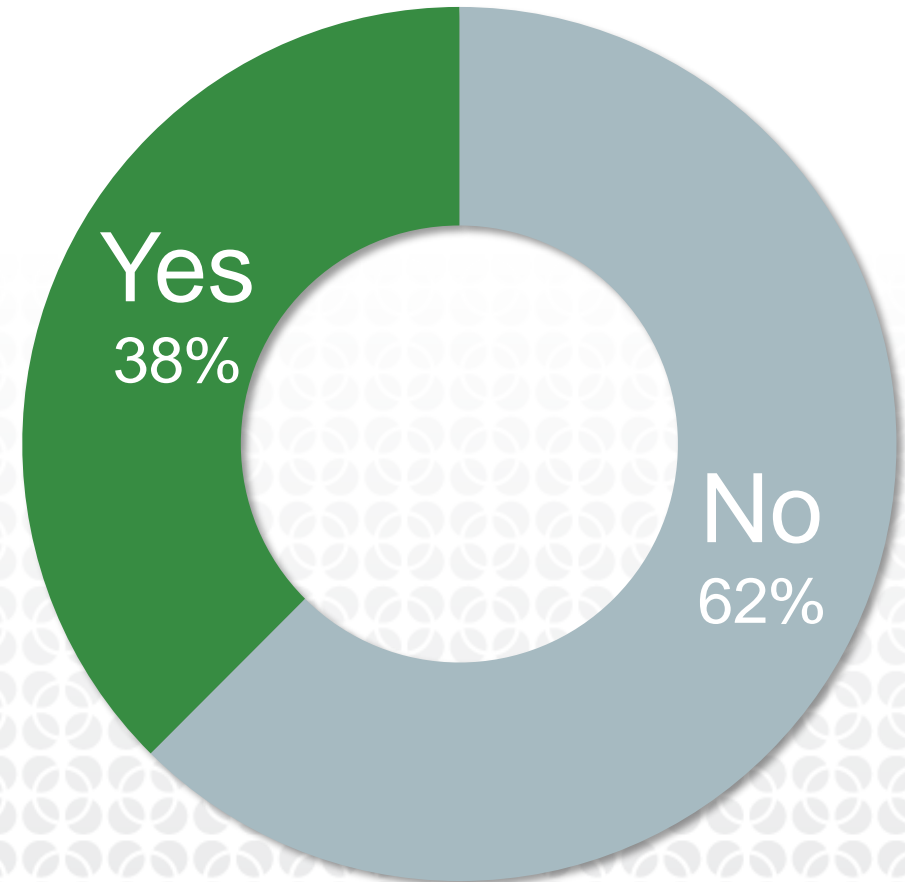
(Choose all that apply)



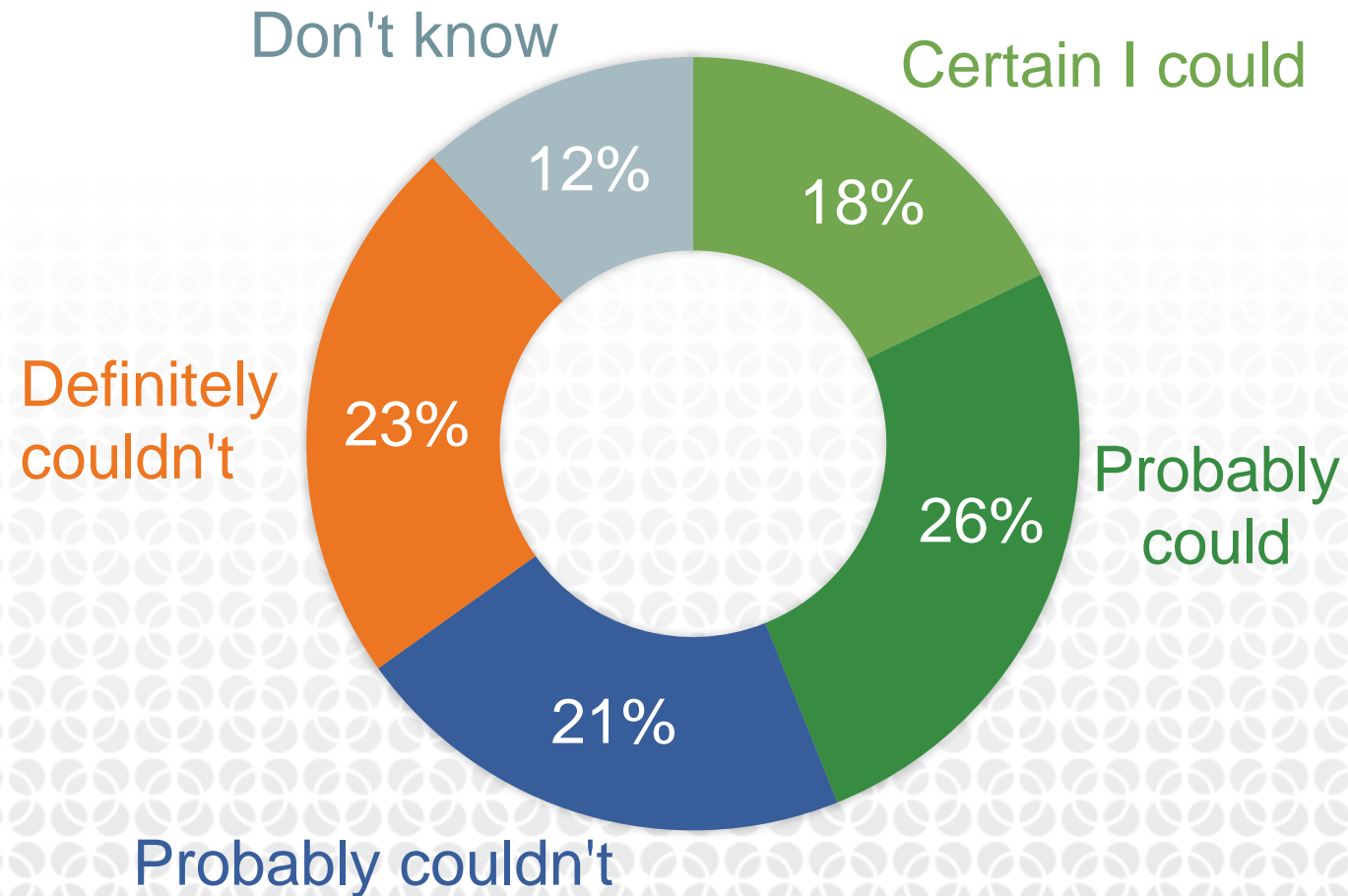
In a typical month, how difficult is it for you to cover your expenses and pay all your bills?



Have you set aside
emergency or rainy day
funds that would cover your
expenses for 3 months?



How confident are you that you could come up with \$2,000 if an unexpected need arose within the next month?



Implications and Opportunities

Write down goals

- “Neuroscience Explains Why You Need To Write Down Your Goals...” bit.ly/goalswritten

Avoid the “b” word

- Spending plan
- Financial plan

Shift focus from restriction to freedom

- Framing

Explore the options

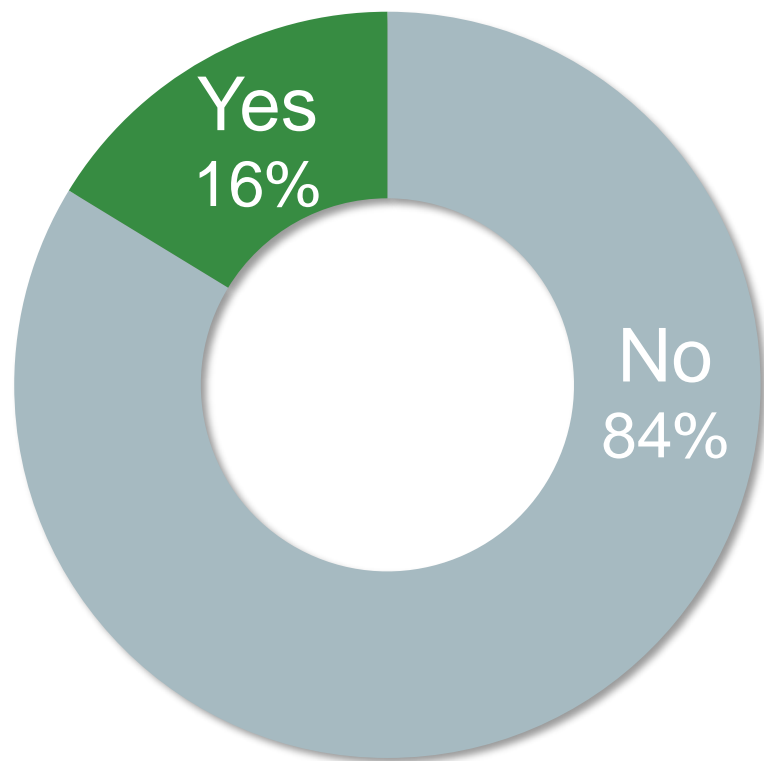
- Online apps
- Automation
- Nudges

**Would you rather have a
10% chance of mortality, or a
90% chance of survival?**

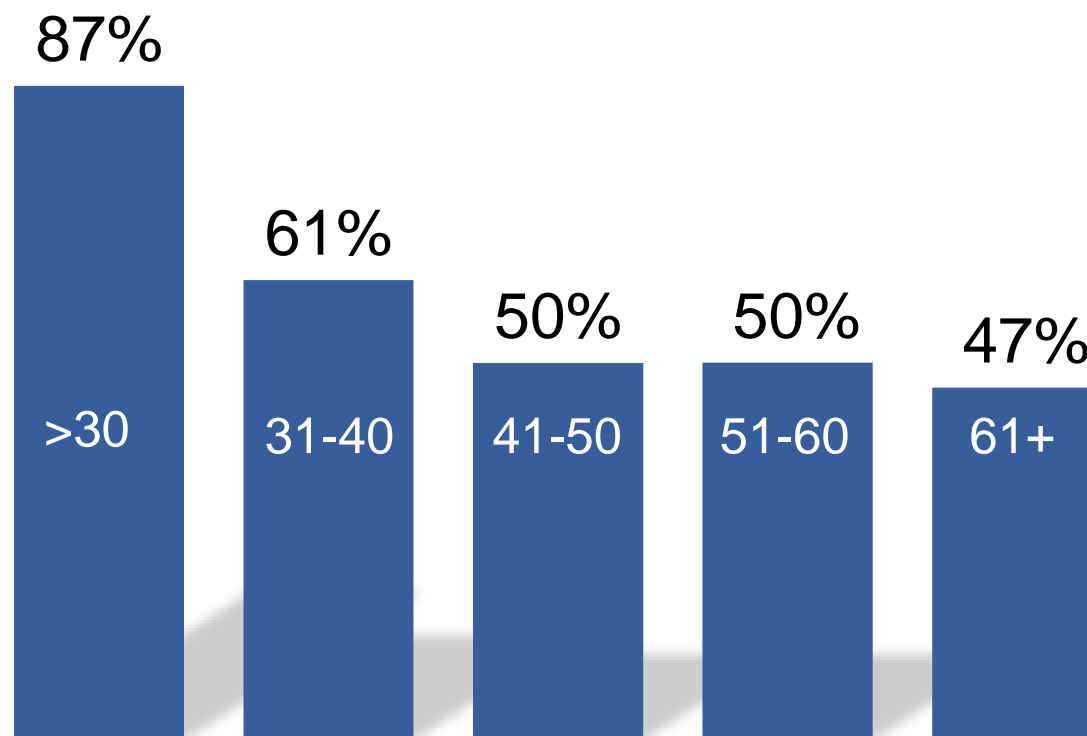
Planning & Protecting



Do you know how much you need for retirement?

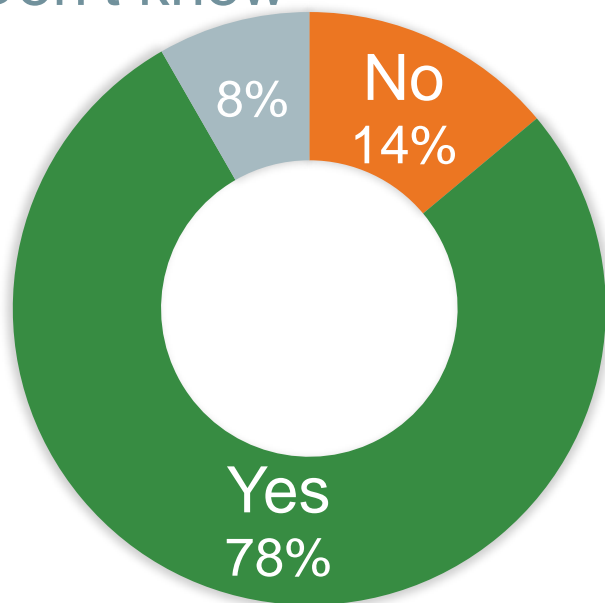


“No” by age group



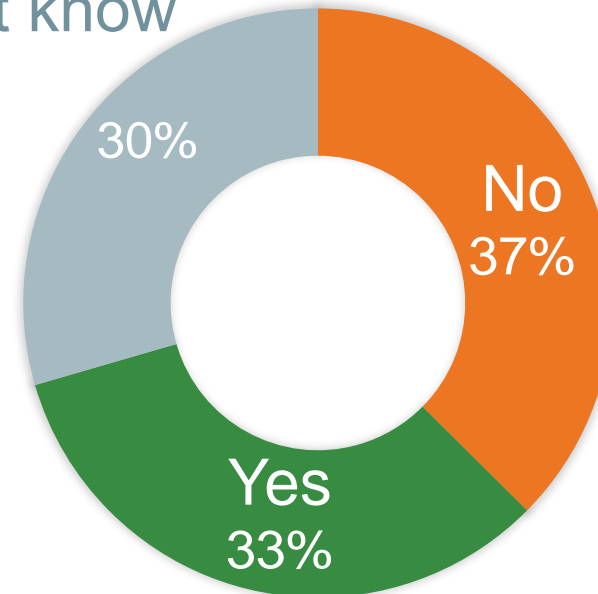
Are you covered by health insurance?

Don't know



Do you have a life insurance policy?

Don't know



Implications and Opportunities

Just talk and educate

- The penny example
- Early vs. delayed savings

Where to go when it's time

Think outside the box

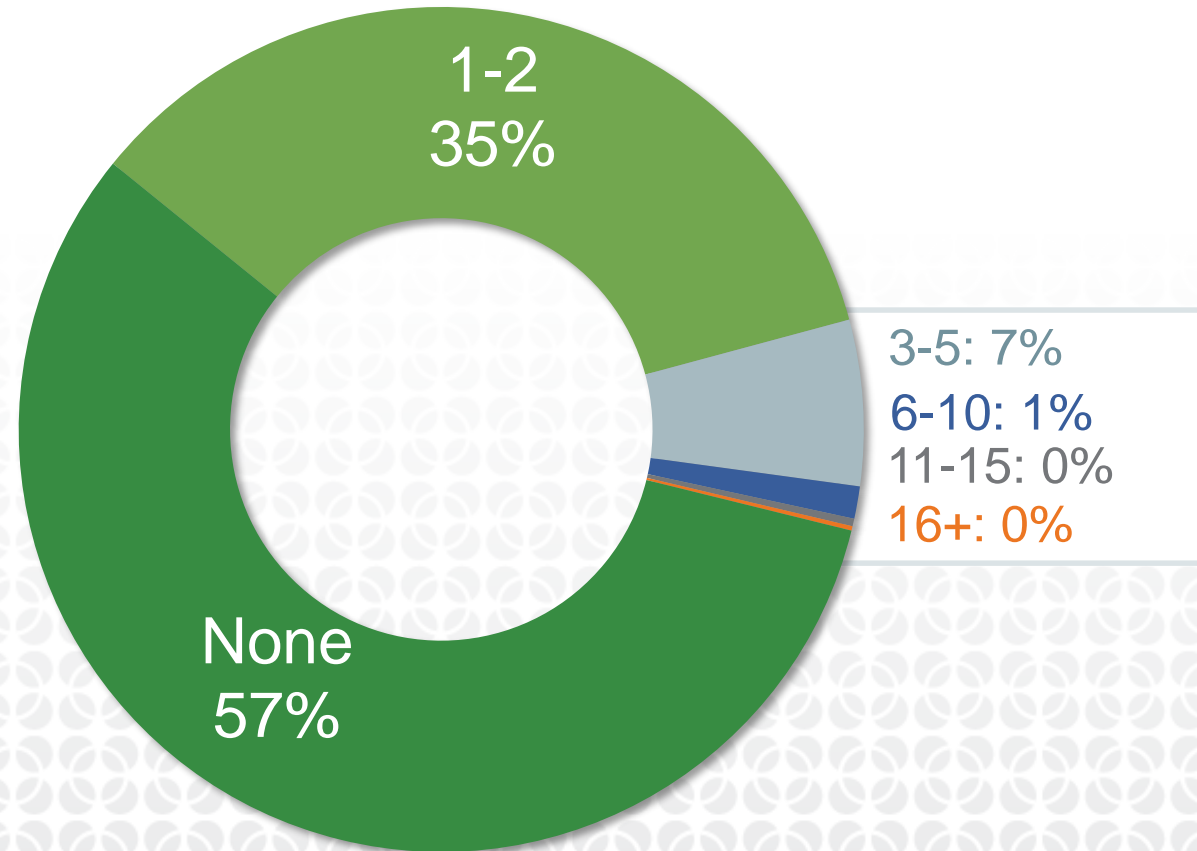
- Reducing costs vs. spending money
 - Health
 - Debt

	19	2,000	2,240	0	0	
	20	2,000	4,749	0	0	
	21	2,000	7,558	0	0	
	22	2,000	10,706	0	0	
	23	2,000	14,230	0	0	
	24	2,000	18,178	0	0	
	25	2,000	22,599	0	0	
	26	2,000	27,551	0	0	
Day 1: \$0.01	27	0	30,857	2,000	2,240	
Day 4: \$0.08	28	0	34,560	2,000	4,749	
Day 7: \$0.64	29	0	38,708	2,000	7,558	
	30	0	43,352	2,000	10,706	
	31	0	48,554	2,000	14,230	
Day 10: \$5.12	32	0	54,381	2,000	18,178	48
	33	0	60,907	2,000	22,599	
Day 13: \$40.96	34	0	68,216	2,000	27,551	1.84
	35	0	76,802	2,000	33,097	
Day 16: \$327.68	36	0	85,570	2,000	39,309	10.72
	37	0	95,383	2,000	46,266	
Day 19: \$2,621.44	38	0	107,339	2,000	54,058	485.76
	39	0	120,220	2,000	62,785	
Day 22: \$20,971.52	40	0	134,646	2,000	72,559	886.08
	41	0	150,804	2,000	83,506	
Day 25: \$167,772.16	42	0	168,900	2,000	95,767	1,088.64
	43	0	189,168	2,000	109,499	
Day 28: \$1,342,177.28	44	0	211,869	2,000	124,879	68,709.12
	45	0	237,293	2,000	142,104	
	46	0	265,768	2,000	161,396	
	47	0	297,660	2,000	183,004	
	48	0	333,379	2,000	207,204	
	49	0	373,385	2,000	234,308	
	50	0	418,191	2,000	264,665	
	51	0	468,374	2,000	298,665	
	52	0	524,579	2,000	336,745	
	53	0	587,528	2,000	379,394	
	54	0	658,032	2,000	427,161	
	55	0	736,995	2,000	480,660	
	56	0	825,435	2,000	540,579	
	57	0	924,487	2,000	607,688	
	58	0	1,035,425	2,000	682,851	
	59	0	1,159,676	2,000	767,033	
	60	0	1,298,837	2,000	861,317	
	61	0	1,454,698	2,000	966,915	
	62	0	1,629,261	2,000	1,085,185	
	63	0	1,824,773	2,000	1,217,647	
	64	0	2,043,746	2,000	1,366,005	
	65	0	\$2,288,996	2,000	\$1,532,166	

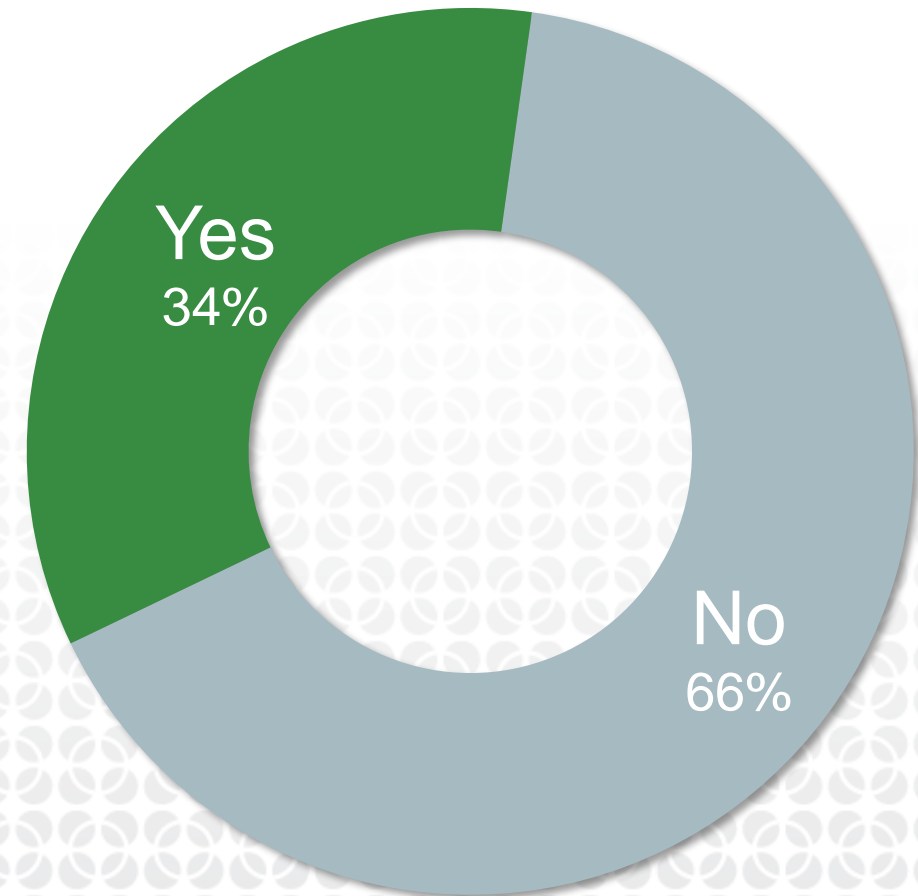
Credit



How many credit cards do you have?

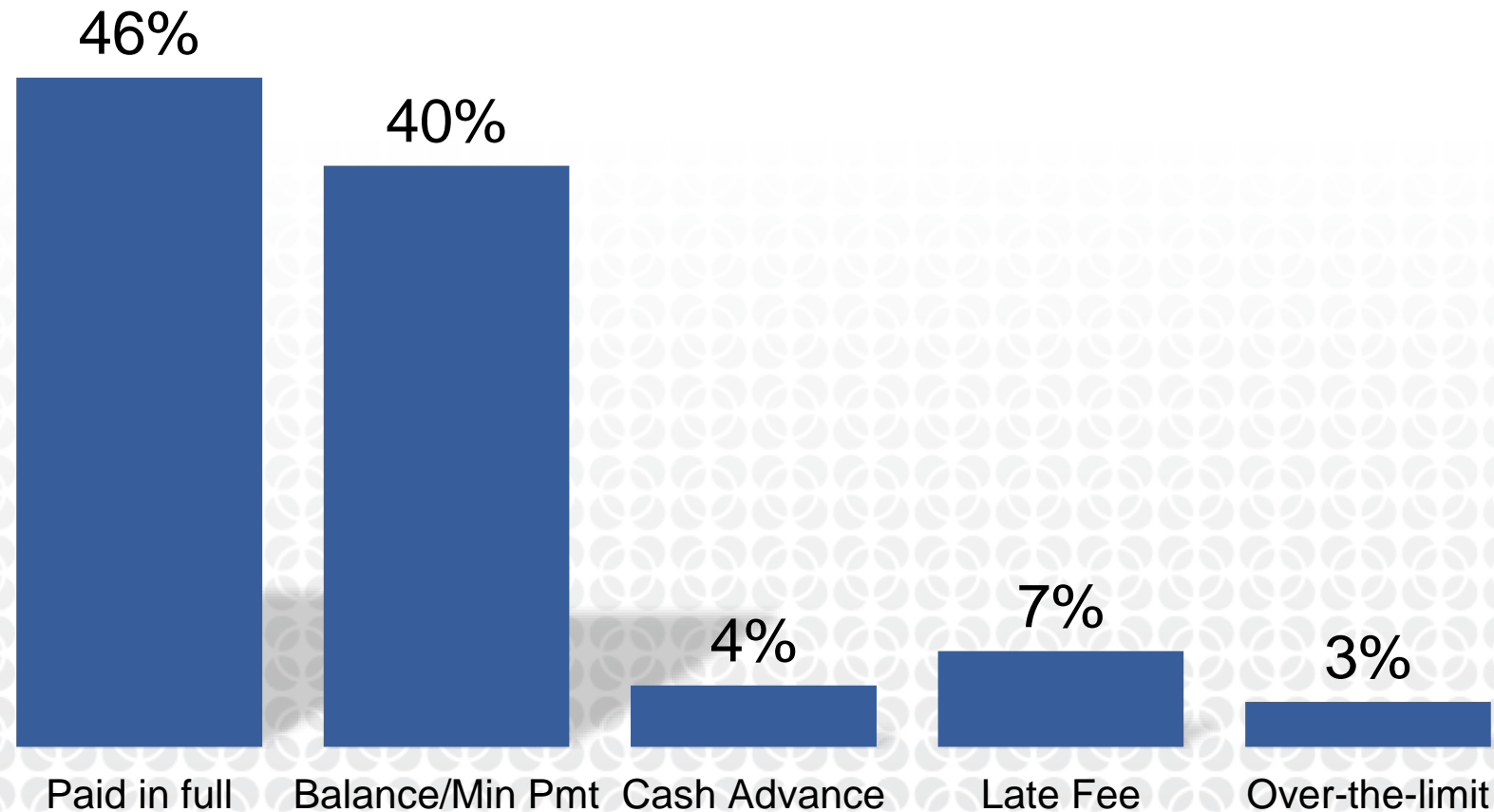


Thinking about when you obtained your most recent credit card, did you gather information from more than one credit card in order to compare them?

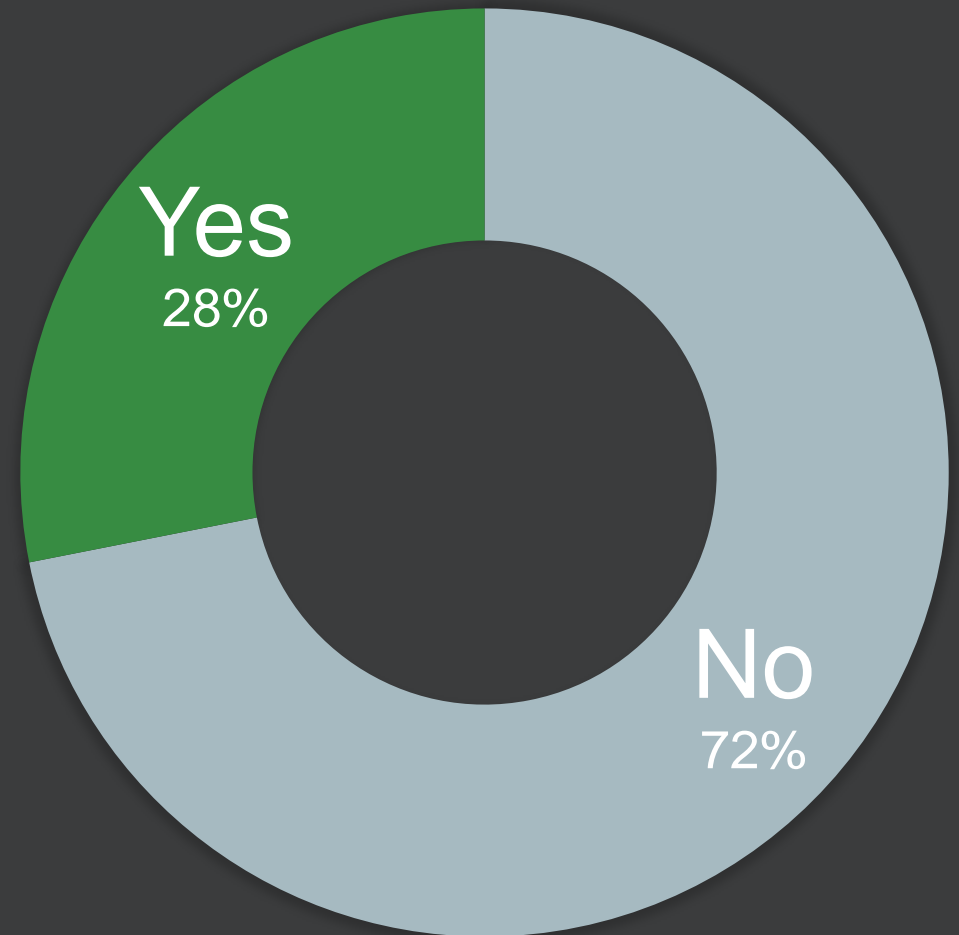


If you used credit cards in the past 12 months, which of the following describes your experience with credit cards?

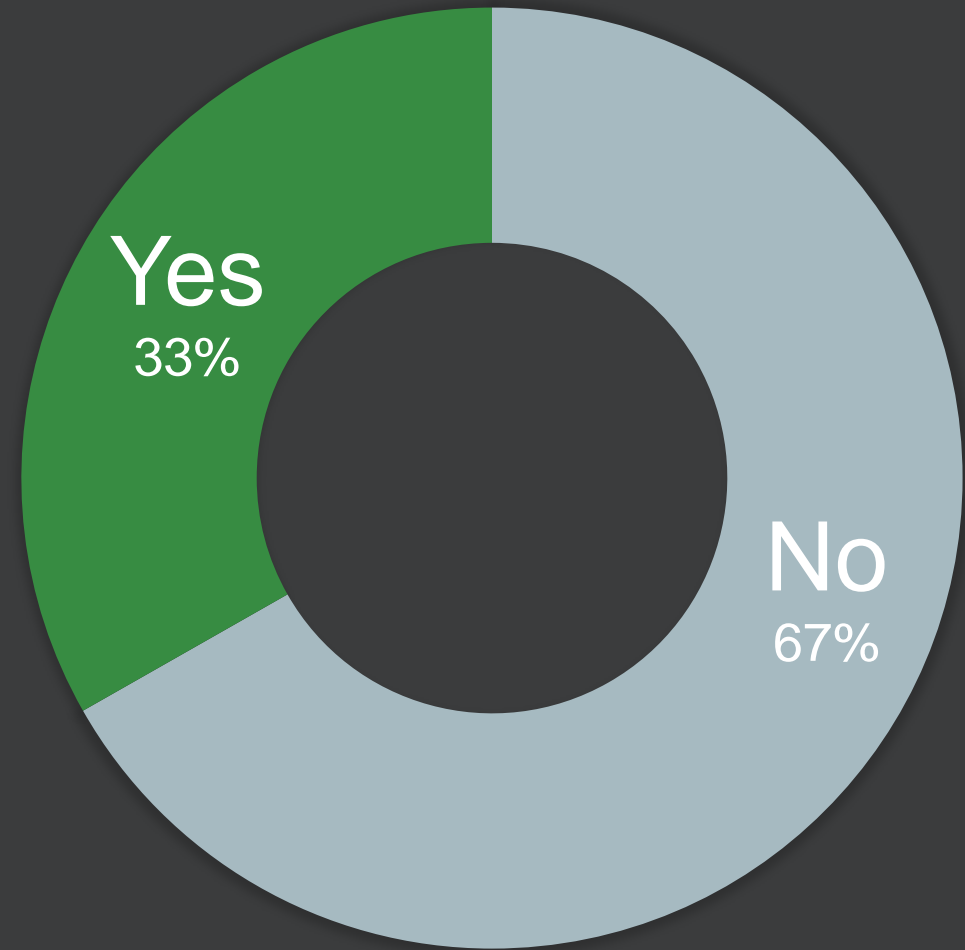
(Choose all that apply)



In the past 12 months,
have you obtained a copy
of your credit report?



In the past 12 months,
have you checked your
credit score?



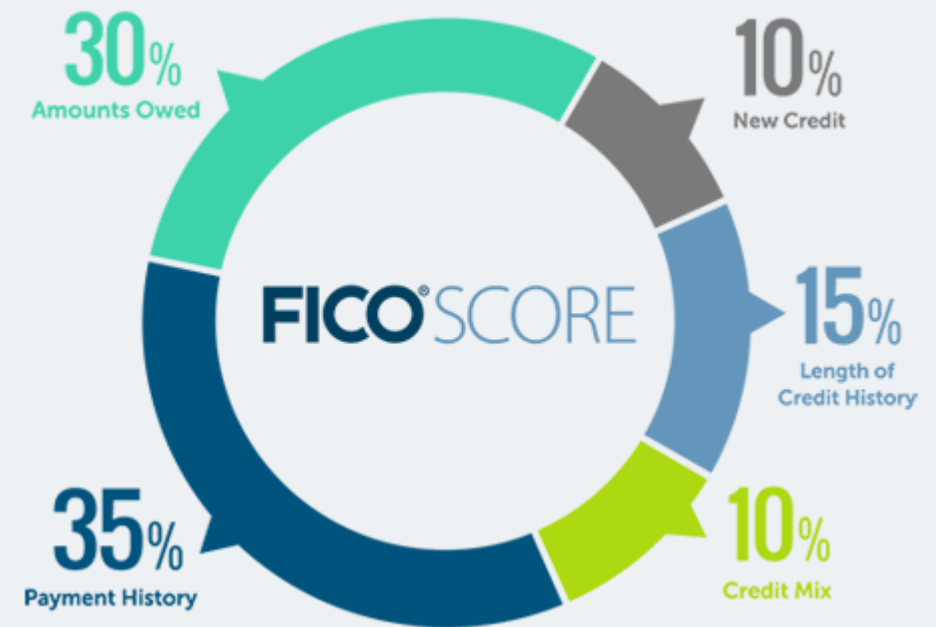
Implications and Opportunities

What does responsible credit use look like?

- Comparing cards
- Understanding benefits and terms
 - Fees and minimum payments

Show them the ropes

- Credit lab
 - Read and interpret reports
 - Pull free scores
 - How reports and scores go together



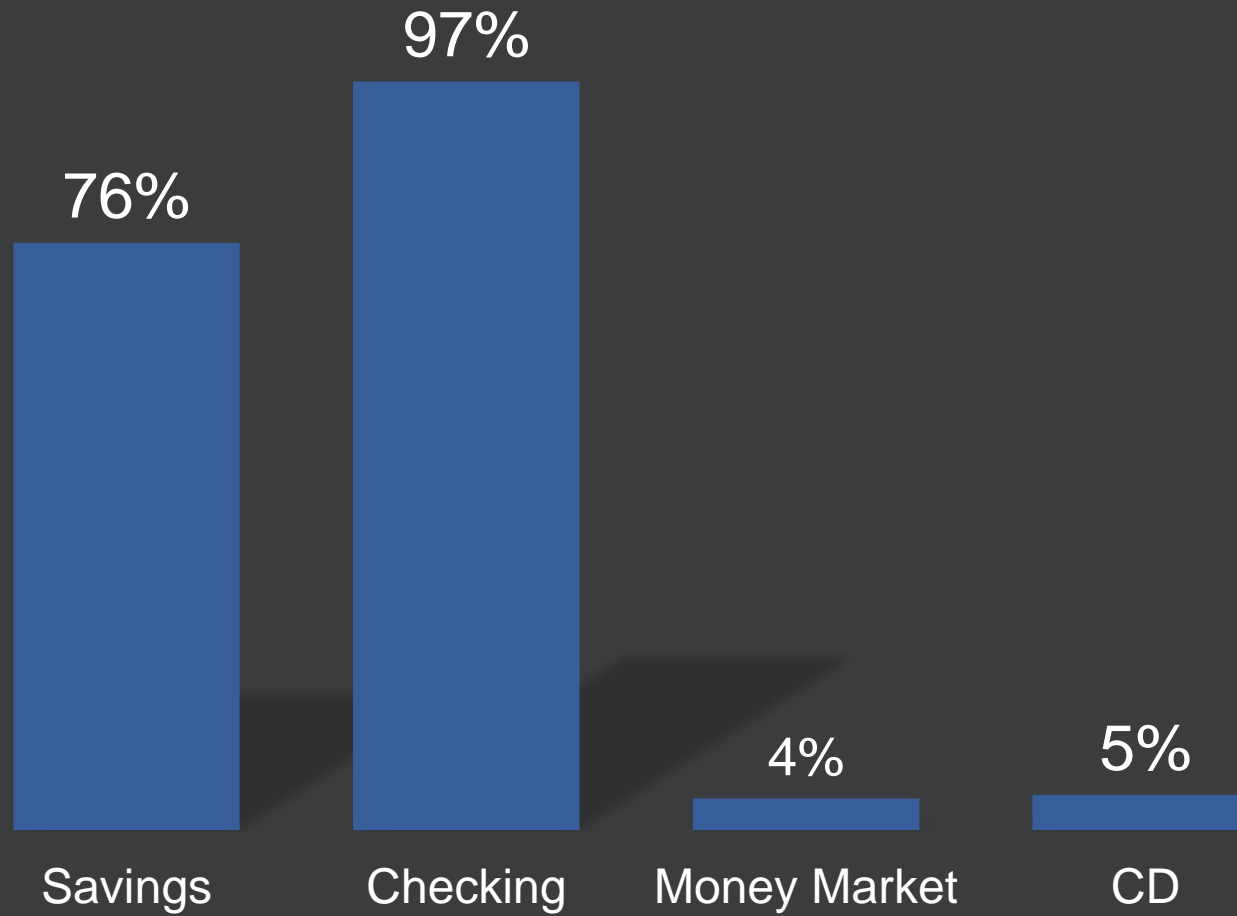
Source: myfico.com

Banking On It

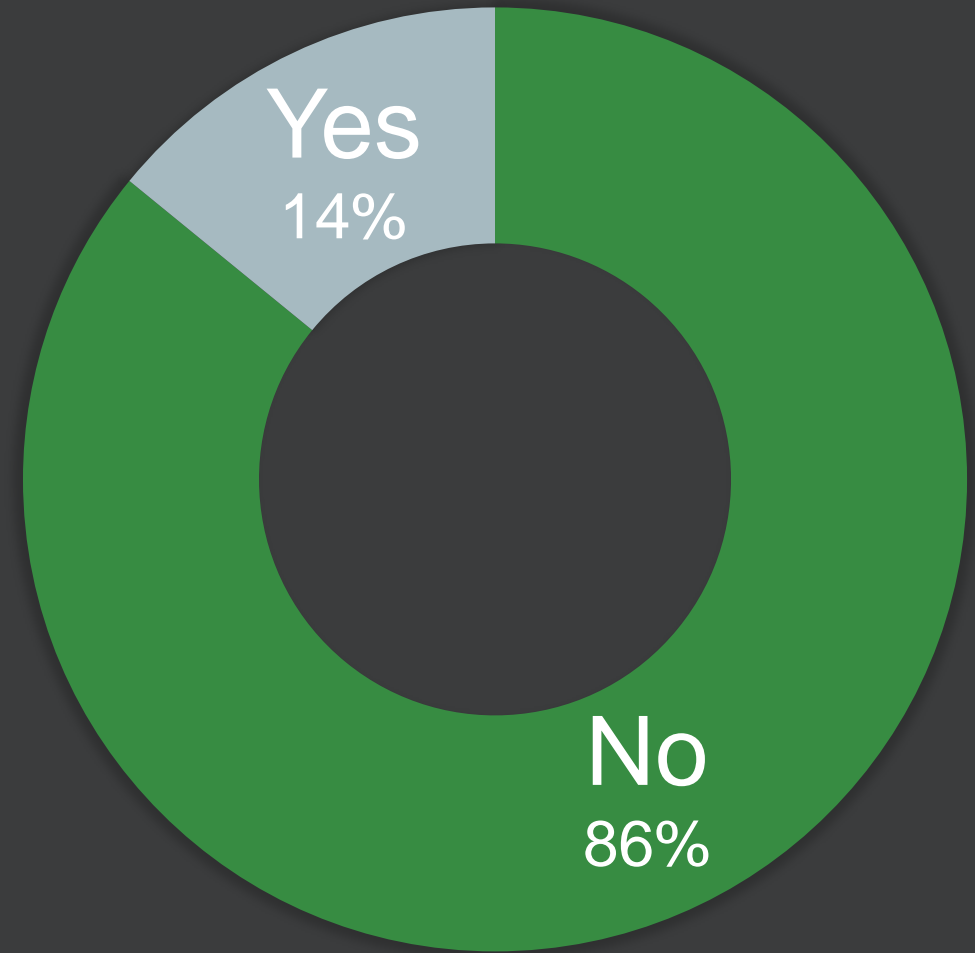


Which accounts do you have?

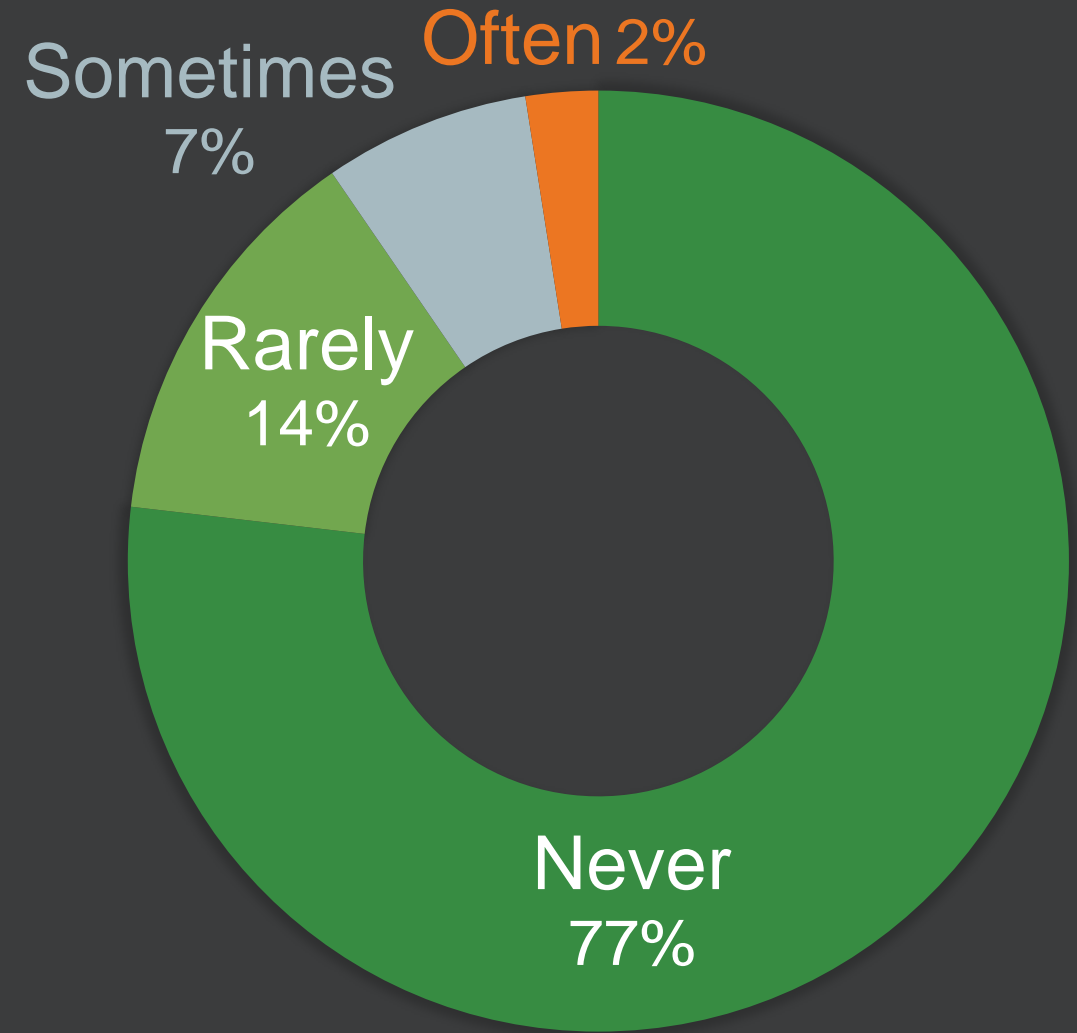
(Choose all that apply)



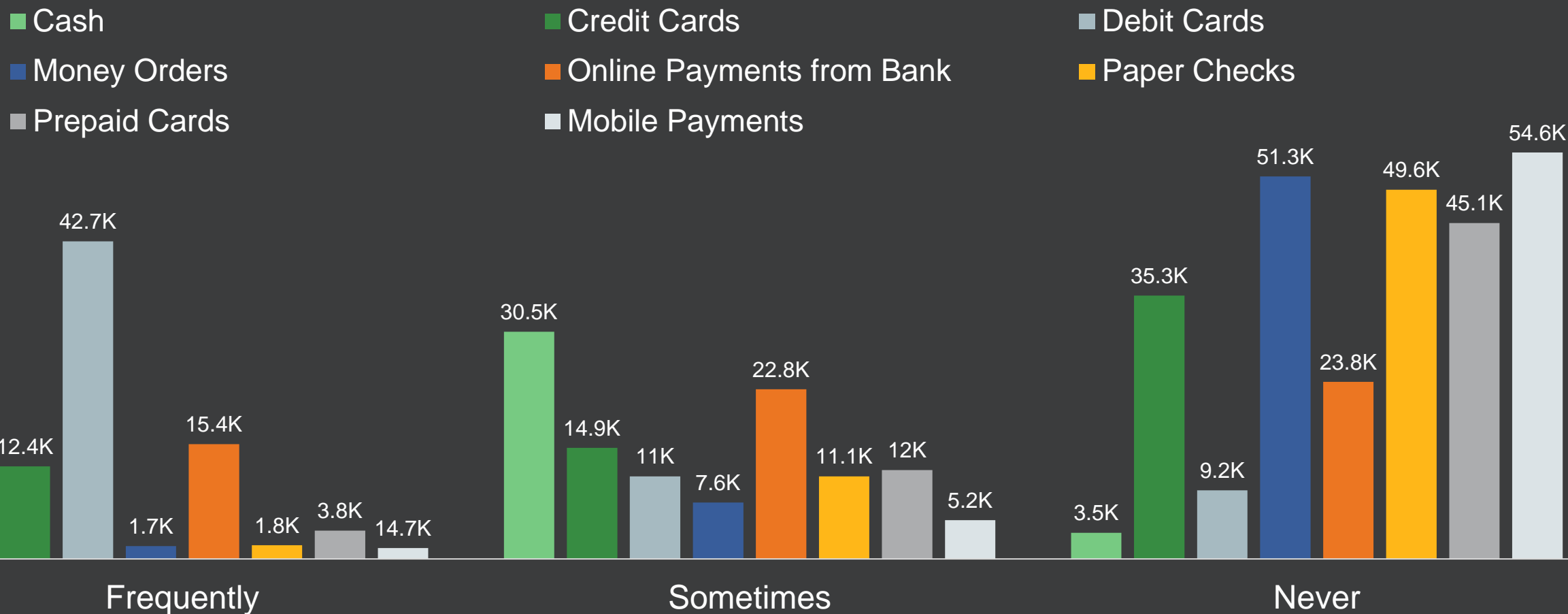
Do you overdraw your
checking account
occasionally?



How often do you go to a check cashing store to cash checks?



How often do you use each of the following methods to make payments? (shopping, paying bills or for any other purposes)



Implications and Opportunities

Do you know all the options?

- High yield savings accounts
- Shop around for features
 - Fees and benefits

Unbanked

- Open dialogue
 - Respect culture, while examining beliefs

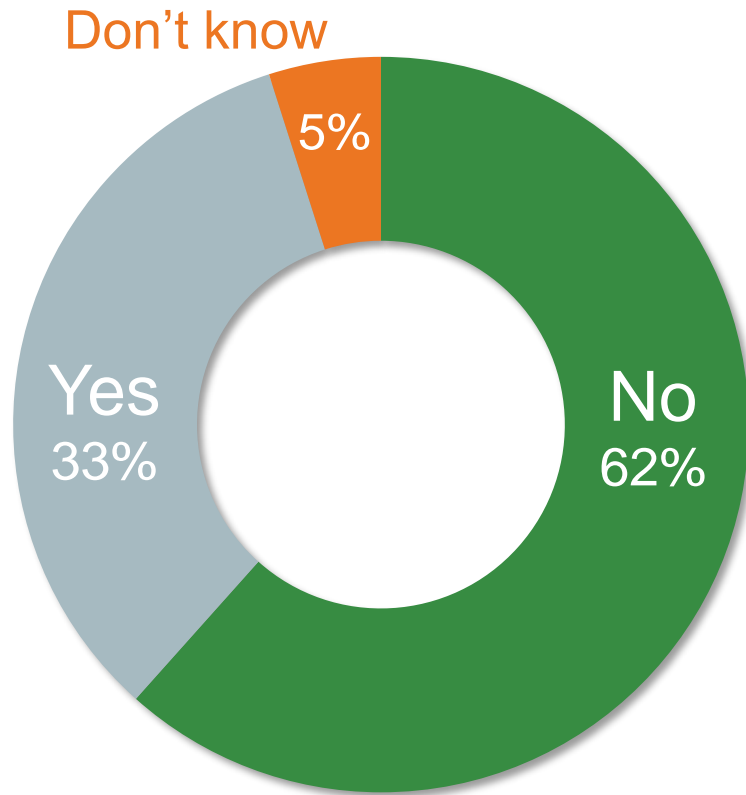
Payment Options

- Debit vs. credit cards
- Online payments and automation

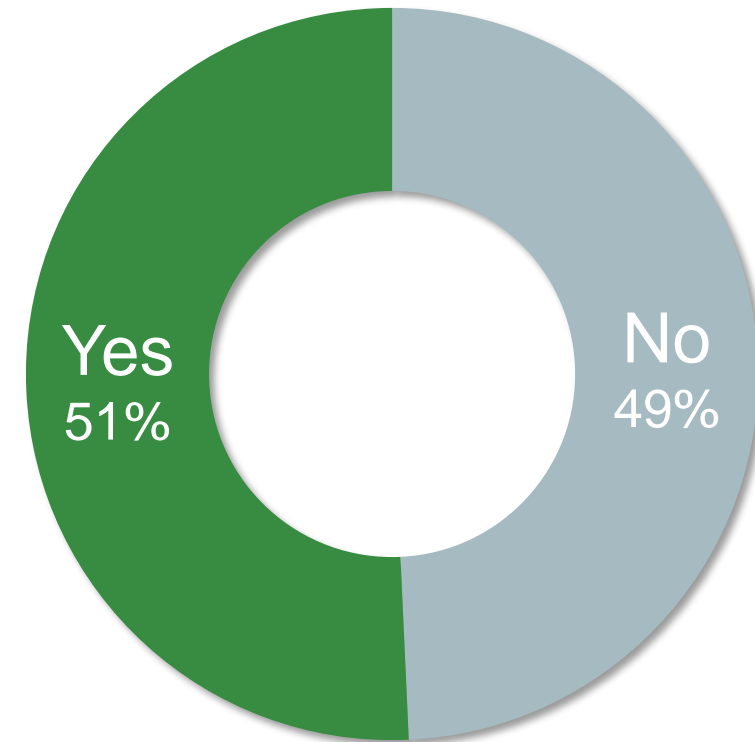
Student Loans



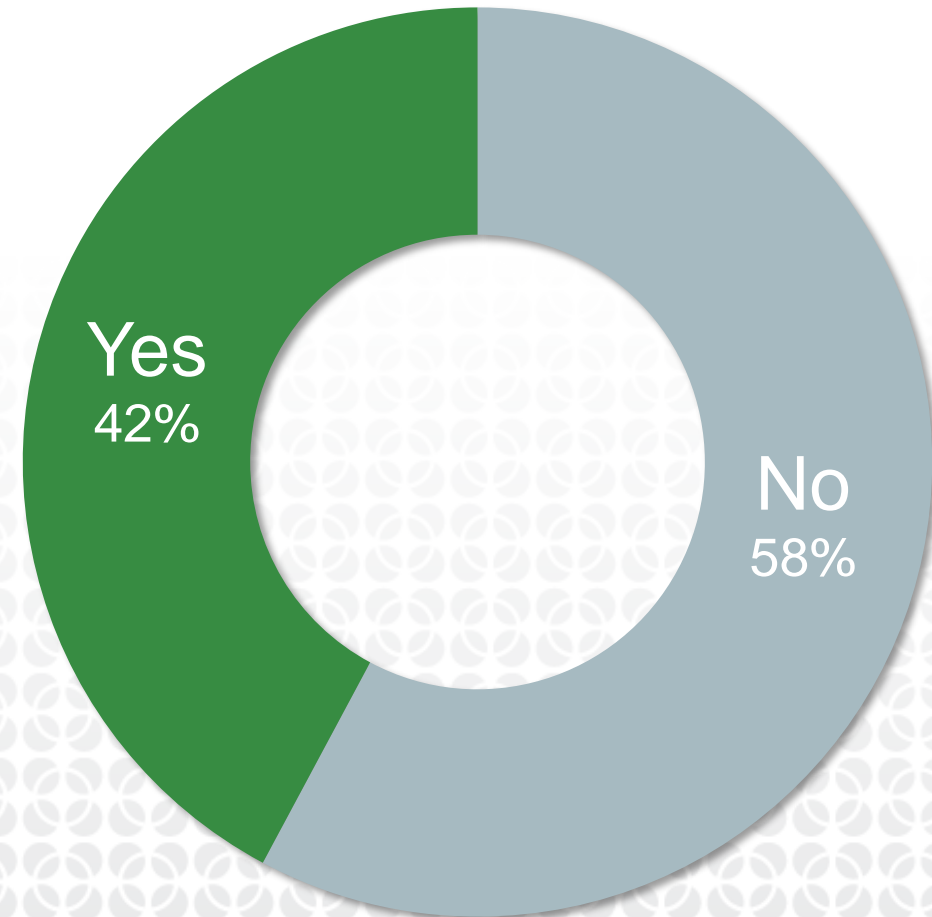
Do you currently
have student loans?



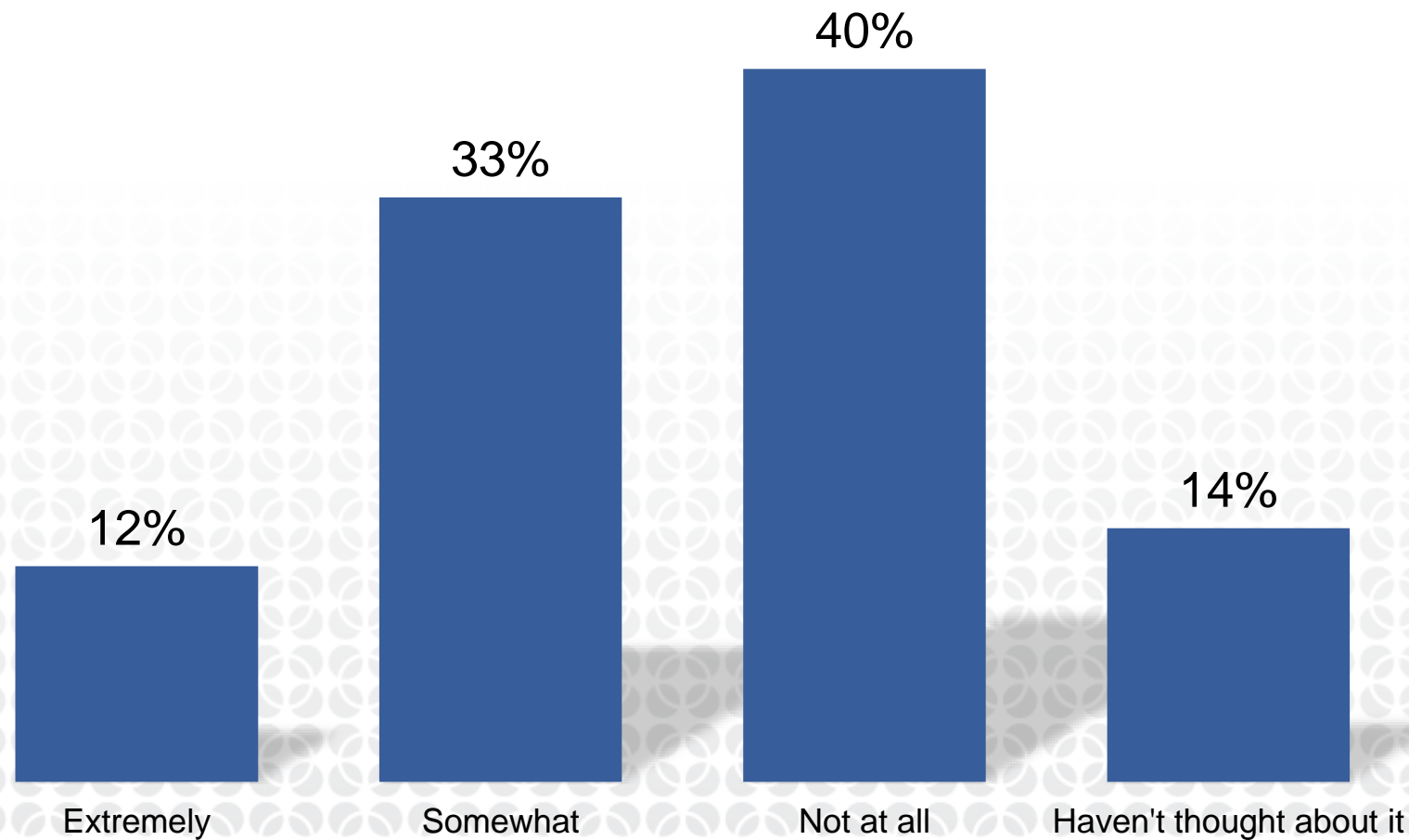
Do you know
your loan balance?



If you have student loans, do you currently know the interest rates and lender contact information?



How concerned are you that you might not be able to pay off your student loans?



Implications and Opportunities

Account for overconfidence

- 94% of student borrowers do not understand loan repayment terms*
- 48% of student borrowers either don't know or incorrectly estimate the amount they have borrowed**
- 28% incorrectly believe they have no federal loans at all**

Active loan management / counseling

- FSA tool
- NSLDS lab
- Debt letters

*Source: Student Loan Borrower Survey. LendEDU

**Source: Are College Students Borrowing Blindly? Brookings Institute

Final Thoughts

How We Can Help Students

Self-ratings don't reflect actions and behaviors.

- Don't know what they don't know

50% of students indicate the financial aid office is their most trusted source of financial information.*

- Trust factor already exists

Evaluate students to better inform content.

- It doesn't matter if it's not relevant

*Source: More Risk, Less Reward? Ascent Student Loans

Assessment Resource

Bureau of Consumer Financial Protection (CFPB)

- Financial Well-Being Scale

- bit.ly/CFPBtool
- User guide
- Questionnaire
- Scoring worksheet

Part 1: How well does this statement describe you or your situation?

I could handle a major unexpected expense

This statement describes me ☐ Completely ☒ Very well ☐ Somewhat ☐ Very little ☐ Not at all

I am securing my financial future

This statement describes me ☐ Completely ☒ Very well ☐ Somewhat

Because of my money situation, I feel like I will never

This statement describes me ☐ Completely ☒ Very well ☐ Somewhat

Part 2: How often does this statement apply to you?

Giving a gift for a wedding, birthday or other occasion would put a strain on my finances for the month

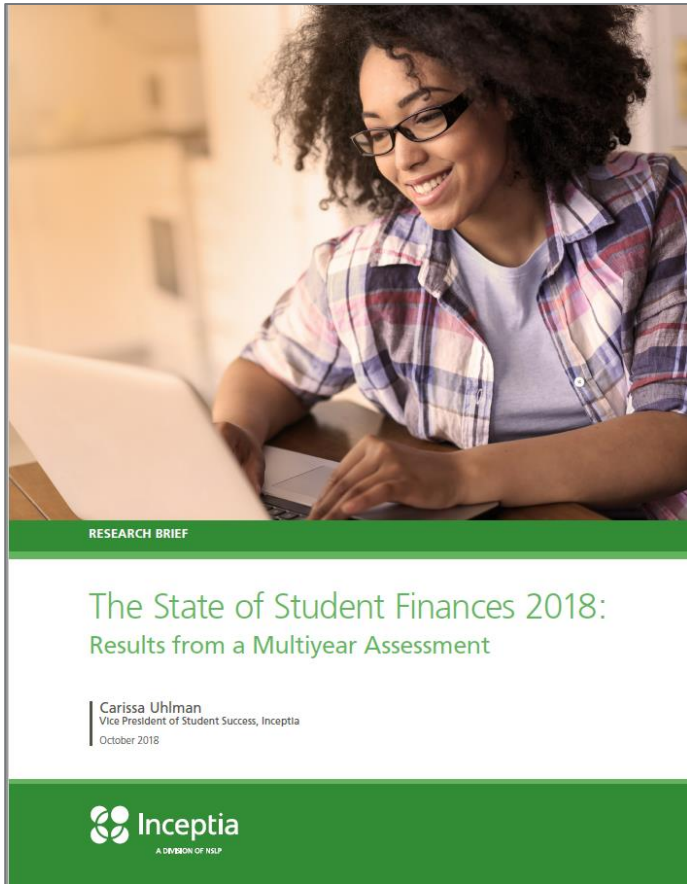
This statement applies to me ☐ Always ☐ Often ☐ Sometimes ☐ Rarely ☐ Never

I have money left over at the end of the month

This statement applies to me ☐ Always ☐ Often ☐ Sometimes ☐ Rarely ☐ Never

I am behind with my finances

This statement applies to me ☐ Always ☐ Often ☐ Sometimes ☐ Rarely ☐ Never



bit.ly/InceptiaStudentFinance

Talk To Me



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